GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2169
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Loan against Fake Documents
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Will the Minister of FINANCE be pleased to state:

(a) whether the cases of raising of loans from banks on the basis of fake documents are on rise;
(b) if so, the details thereof along with the amount involved therein during each of the last three financial years;
(c) whether the Government has conducted any enquiry during the said period;
(d) if so, the details thereof along with the number of persons/bank officials found involved in such cases during the said period, bank-wise and the punitive action taken by the Government against such persons; and
(e) the other corrective steps taken/being taken by the Government to keep a check on such cases in future?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(a) & (b): Reserve Bank of India (RBI) has informed that Public Sector Banks(PSBs) do not separately report cases of loans raised on the basis of fake documents. These are reported under the head "Cheating and Forgery", which would also include other type of fraud cases. Details of "Cheating and Forgery" frauds of Rs 1 lakh and above reported by PSBs for the last three financial years is at Annex-I.

(c) & (d): Banks initiate/probe staff accountability and staff involvement in all the fraud cases and on completion of investigation, commensurate punishment is awarded to the delinquent employees based on the seriousness of the wrongdoings as per Bank's disciplinary rules which includes censuring, administrative warning, suspension of the employees, reduction in scales of pay, monetary penalty and recovery of losses, compulsory retirement, termination from service, dismissal with disqualification from future employment etc.

Bank-wise details of "Cheating and Forgery" frauds of Rs. 1 lakh and above reported by PSBs where staff was involved is at Annex-II.

(e): RBI has issued Master Circular on "Frauds − Classification and reporting" vide RBI. DBS.CFMC.BC.No.1 / 23.04.001/2015 -16 dated July 01, 2015 containing all the details/aspects relating to frauds. The same is also available on the website of RBI i.e. www.rbi.org.in. On receipt of fraud reports from banks, various aspects related to the frauds are examined and concerned banks are advised to report the case to CBI/ Police/ SFIO, examine staff accountability, complete proceedings against the erring staff expeditiously, take steps to recover the amount involved in the fraud, claim insurance wherever applicable and streamline the system as also procedures so that frauds do not recur. To compress the time taken in detection of fraud, a new framework for handling loan frauds has been put in place. The framework stipulates continuous monitoring of loan accounts, time bound action at each stage of loan's life cycle and commencement of investigation on observing early warning signal in an account. Further the framework also prohibited banks from extending bank finance to borrowers who have defaulted and also committed a fraud for five years from the date of full payment of the defrauded amount. RBI as a part of its supervisory process also takes the following measures to prevent/reduce the incidence of frauds:

(i) Issues circulars to banks from time to time about common fraud prone areas, modus operandi circulars on various types of frauds and the measures to be taken by them.
(ii) Issues caution advices in respect of borrowers who have defrauded the banks.
(iii) In order to make third parties and professionals accountable, who have played a vital role verification of the property/document or facilitated the perpetration of frauds, banks have been advised to report to Indian Bank's Association (IBA). IBA in turn will prepare caution lists of such parties for circulation among the banks.

RBI has issued circular on 'Legal Audit of Title Documents in Respect of Large Value Loan Accounts' (Circular dated June 7, 2013). RBI has advised banks to subject the title deeds and other documents in respect of all credit exposures of Rs 5 crore and above to periodic legal audit and re-verification of title deeds with relevant authorities as part of regular audit exercise till the loan stands fully repaid.

The Government has set up the Central Registry, as the nodal agency for maintaining records of registrations relating to securitization, reconstruction of financial assets and security interest created over properties on 31.03.2011 to minimize the frauds relating to multiple mortgaging of a property with different lenders.
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